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ABSTRACT

The American Association of State Colleges and Universities (AASCU) cites both economic and noneconomic benefits of a college education in its criticism of current arguments that the value of a college education is declining. Richard Freeman and J. Herbert Holloman have asserted that the value of a college degree is decreasing because its "rate of return" has fallen. Among the arguments against the "rate of return" approach is the fact that high school graduates today make somewhat more money proportionately, than in the past, though still not nearly as much as college graduates. College graduates have a more continuous, less erratic job history, continue to earn higher salaries through most of their working years; are less likely to have to start over or get into deadend jobs; and are more satisfied with their work and their lives than noncollege graduates. The range of noneconomic benefits are cited for the individual graduates and for society. College graduates are better informed on political issues, more likely to register and vote, and to take a more active role in government; they are less likely to be influenced by prejudices and stereotypes; they are more likely to attempt rational and nonviolent solutions to problems. (JMF)

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The Value of a College Education

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Introduction: Is College Worth It?

Colleges and universities are faced with a new challenge—the arguments of some publicists, politicians and researchers that a college education is really not worthwhile.

This is one reason why hard-pressed governments in many states are cutting back financial support for colleges, in terms of constant dollars per student. Some governments are placing ceilings on enrollments and tightening up admissions. A great many are raising tuition. Some are cutting back on programs for part-time and older students at the very time when more such students are applying—often because full-time college is too expensive.

Similarly, few state government leaders or educators appear to know there has been a precipitous drop in the college-going rate of young people in recent years, in good part because of rising tuition and other student costs. No state is apparently studying this decline in college-going.[1]

Arguments about the declining value of a college education, usually presented in a very oversimplified form, play into the hands of some state officials, anxious to cut spending for budgetary or political reasons. Some appear to have picked up slogans that "college isn't worth it anyway" or that "too many graduates are driving cabs." Others believe, in complete contradiction to the evidence, that there is enough federal and state student aid to help any needy person who wants to go to college.[2]

"Prove your graduates can get jobs," is being heard in many state capitals. Further, widespread public disillusionment with government and other institutions at all levels is also affecting higher education.

The new arguments against college range from emotional outbursts, some coming from the extreme left or extreme right, to highly technical analyses of the "rates of return" on college as an investment compared to business investments. To many in the media and in government, these arguments tend to blur together and create a generally unfavorable climate of opinion toward higher education.

Criticisms of College as an "Investment"

Recently two economists, Richard Freeman and J. Herbert Holloman, published an analysis of college as an investment which has been publicized widely by the media, usually in a popularized way and without careful scholarly qualifications.[3] This article is based in part on their assertion that the rate of return on college fell from about 11-12 percent in 1969 to about 7-8 percent in 1974.

Essentially, this computation means that while college graduates made on the average about 11-12 percent more annually than high school graduates in the earlier year, they made about

7-8 percent more in the later year. The computation also allows for the investment costs of college and makes other important assumptions.

This kind of statistic has been widely quoted, along with data showing that the starting salaries of college graduates in relation to high school graduates declined in the years from 1969-1974.

There are a number of points made in the Freeman-Holloman article and similar studies about which some economists and social scientists have serious doubts.[4] One criticism is that the two economists showed a "decline" by comparing the earnings in years of vigorous economic growth in the sixties with the earnings in years of recession or very slow growth in the early seventies—and then predicted that the indefinite future will be more like the recent recession. There is, of course, no scientific basis for making such a prediction, nor have economists nor other social scientists generally shown themselves very good prophets in recent years. Nor is there any way to predict the possible political or policy changes which could return this country to a much higher economic growth rate, and also create many new jobs for graduates—for example, in such areas as early childhood development or energy research.

Indeed, Freeman's new book, *The Overeducated American*, admits that "social scientists do not have an admirable record of peering accurately into the future." He points out that during World War II most social scientists expected a postwar return to the Great Depression; that few, if any, thought that the civil rights movement would produce noticeable economic gains for blacks; and, that none predicted the collapse of the job market in the early 1970's. He also points out that Seymour Harris, one of the most respected economists, predicted a vast oversupply of college graduates in the 1950's and 1960's—completely contrary to what actually happened. For such reasons, Freeman admits that his theory of an oversupply of college graduates now must be viewed as "speculative guesswork."[5]

Another criticism of Freeman-Holloman is made by Harold Howe of the Ford Foundation.[6] Howe points out that few eighteen-year-olds or their parents are in any position to guess what their lives, jobs, and incomes will be like four, eight, or twenty years later, especially in relation to a future job market which no one can predict. Therefore, they cannot possibly make sophisticated judgements about their personal "rate of return," even if the method were a more valid one.

But further, Howe continues, even if we accept the Freeman-Holloman analysis we can point out that an 8 percent return is "still much larger than the return on life insurance, savings banks, or the stock market." Indeed, he says, the Ford Foundation would be far better off today if it had been "smart enough to get an 8 percent return on its investment from 1969 to 1974!".

There are other arguments against using the "rate of return" approach in determining higher education policy. But the fundamental criticism is very simple. *Very few people would not want college for themselves or their children merely because high school graduates today make somewhat more money, proportionately, than they used to, though still not nearly as much as college graduates.*

Many young people and their parents simply want the chance for a better, different, or more meaningful life which college may bring, even if the estimated "rate of return" may not be quite as high, relatively, as it used to be.

The Economic Benefits of College

The Carnegie Commission on Higher Education in 1971 published a major research study of both the economic and non-economic benefits of college, entitled *A Degree and What Else?* by Stephen Withey and associates.[7]

This study makes a strong and well-documented case that college graduates on the average not only make more money over their lifetime than high school graduates, but have many other economic benefits. For example, they have a more continuous, less erratic job history. They are much less likely to be unemployed. They usually start at higher salaries (again, current low salaries are related to the present recession). They are promoted more often. They continue to earn higher salaries through most of their working years, unlike the less well educated, whose earnings are likely to fall off in their fifties.

College graduates are less likely to have to start over or get into dead-end jobs. Their chances of alternative employment are better; they have more control over their economic futures. Their retirement benefits, insurance, vacations, and other fringe benefits are usually much better than those of non-college-goers.[8]

College graduates provide better for their children, and are more likely to motivate them to go further and do better in school. Graduates are generally better equipped to deal with emergencies, because of their accumulation of savings and insurance.

Further—and most important—research studies like Withey's show that on the whole college graduates are more satisfied with their work and their lives than non-college graduates.

To assume—as Freeman and Holloman and some others seem to do—that all of this has come to an end just because the estimated "rate of return" fell slightly between 1969 and 1974, or because some college graduates are having job problems in the current recession, is absurd. To base state or federal higher education policies affecting future generations on such assumptions would be not only absurd but criminal.

Every poll indicates that most Americans still consider college as very worthwhile for themselves and their children. One major study shows that most *non*-college youth are very much aware that they have less chance than college graduates of finding work which is rewarding and satisfying.[9]

The better economic situation of college graduates benefits society in many ways. Their higher incomes mean, of course, that they pay more federal, state, and local taxes. In many cases, they pay the taxpayers back several times over for their education, as was the case with graduates who used the G.I. Bill.

The greater job security, health protection, better child care, and retirement benefits which accrue to the college educated and their families mean that they are much less likely to be a burden to the taxpayers. It is less likely that taxpayers will have to provide for them through such programs as compensatory education for their children, welfare, public health care or the costs of crime and law enforcement.

The Non-Economic Benefits of College

Until recently, few people have argued that the benefits of college, either to the individual or society, should be measured solely in economic terms. There are many other obvious benefits. One benefit is providing the country with the skilled and talented people it must have, from doctors and social workers to businessmen and entrepreneurs who create new jobs. College graduates also carry out a disproportionately large part of all voluntary charitable work in the United States. Most of this work is on an unpaid basis, and is socially beneficial; it would be very expensive if supported by the taxpayers.

The college-educated, according to Withey and others, are also likely to be good citizens. They are better informed on the issues, more likely to register and to vote, and to take a more active part in government and politics. They are less likely to be influenced by prejudices and stereotypes, and more likely to attempt rational and non-violent solutions to problems, both domestic and international.

It is this last point which has led at least one economist to suggest that there may be major but unrecognized benefits from college. If the judgement of college graduates could help this country avoid just one "unnecessary war," this would not only justify the costs of college to society many times over, but help once again to demonstrate H. G. Wells' famous dictum that "human history is a race between education and catastrophe." [10]

On an individual basis, the college educated enjoy better mental and physical health, and spend more on health care, including insurance and preventive medicine, for themselves and their children. They have lower divorce rates, and are more able financially and psychologically to provide for themselves when divorced, without public assistance. This stands in sharp contrast to the problems faced by many families with less education and training.

What About Jobs?

Some state officials may believe that the foregoing arguments are not enough. They may remain skeptical. "Even if these general statistics are accurate, what are the colleges in our state training our young people for, right now? Where are the jobs? Are there too many liberal arts graduates, or teacher education graduates, or whatever?"

These questions deserve a serious answer. Many specialists in education and manpower have devoted considerable time to them.[11]

First, it has to be said again that no one should fall into a "permanent depression mentality" because of the current recession, which, in any case, may be lifting. A return to the economic growth rates of the sixties would provide the states as well as the federal government with considerably greater tax revenues, while a rising rate of employment would also make college less of a financial burden on the individual. It would also improve the job market for college graduates, which is already recovering.

Second, no one should be misled by statistics or scare stories based on the employment problems of young people just out of college, especially during a recession. It is necessary to look at long-term earnings and employment, as Withey and others have done.[12]

Third, many colleges as well as most students are in fact reviewing their programs in terms of the changing job market. For some years students have been moving out of some undergraduate and graduate programs because of an awareness that there may be fewer jobs. Enrollments are dropping in some teacher education and liberal arts fields.

Undoubtedly colleges as well as high schools should do far more to provide effective counselling. They should also give students more exposure to the world of work, through improved work-study programs, cooperative education, internships, and other methods.

But colleges, like other institutions, must be cautious not to overreact, or try too precisely to predict the future job market – as most social scientists emphasize.[12] Neither businessmen, economists, nor government officials can know what kind of labor market students will find after graduation – or ten to twenty years later.

Spokesmen for the more generalist liberal arts (and for teacher education, which has become much more like liberal arts at many colleges) have long pointed out that most college graduates will not work in the specific occupations they may have had in mind in college. Indeed, one of the great benefits of college has always been that it has *not* tended to limit a person's working life to whatever type of job he or she might start out in after high school. *The general intellectual and personal flexibility of college graduates, their ability to deal with new and changing problems, may be more important in their jobs than the particular technical skills they may learn in college.*

No one has ever said that college can guarantee the future, any more than any serious person has ever argued that college is the best course for "everyone." College is only one

way for some people—those who are qualified and motivated—to increase their options. It is a chance, but only a chance, to do and be more than one otherwise might. Most college students are perfectly aware of this.

It is deeply shocking to hear the value of college challenged as America—the best educated country in the world, and the only country which has come close to developing a non-elitist higher education system—moves into its third century. It is time for those who agree to speak up.

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2. *Ibid*., Point Eight.

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5. Richard Freeman, *The Overeducated American*, New York: Academic Press, 1976, pp. 7, 199.

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8. Andrew Levison, *The Working-Class Majority*. Coward, McCann, and Geoghegan, 1974. This highly important book proves that most working-class, non-college graduates are not in any way as well off as most college graduate—white collar workers, either economically or otherwise. This would be true even if the "rate of return" on college were smaller than it now is.

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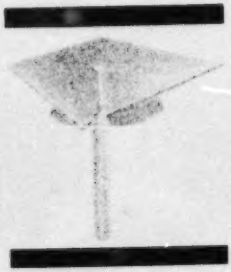

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